

## AUDITING PROCEDURES REPORT

Issued under P.A.2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Oxford, Michigan	County Oakland
Audit Date June 30, 2004	Opinion Date August 20, 2004	Date Accountant Report Submitted to State: December 14, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised,
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (PA. 275 of 1980).   |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Rehmann Robson			
Street Address 5750 New King Street, Suite 100	City Troy	State MI	Zip 48098
<div>Accountant Signature Thomas E. Darling, CPA</div> <div></div>			



*Sister City to  
Oxford, England  
EST. 912*

**VILLAGE OF OXFORD  
MICHIGAN**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED  
JUNE 30, 2004**

**VILLAGE OF OXFORD, MICHIGIAN**  
**Basic Financial Statements and Supplementary Information**  
**For the Year Ended June 30, 2004**

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**VILLAGE OF OXFORD, MICHIGIAN**  
**Basic Financial Statements and Supplementary Information**  
**For the Year Ended June 30, 2004**

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**REHMANN ROBSON**

*Certified Public Accountants*

*A member of THE REHMANN GROUP*

*An Independent Member of Baker Tilly International*

## **INDEPENDENT AUDITORS' REPORT**

**August 20, 2004**

To the Village Council  
Village of Oxford, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of the ***Village of Oxford, Michigan***, as of and for the year ended June 30, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the ***Village of Oxford, Michigan***'s management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the ***Village of Oxford, Michigan***, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles general accepted in the United States of America.

As described in Note IV-G, the Village adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-For State and Local Governments*; Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of July 1, 2003. This results in a change in the format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2004, on our consideration of the ***Village of Oxford, Michigan***'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on Pages 3 through 12 and the Schedule of Funding Progress on Page 47 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the ***Village of Oxford, Michigan***'s basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large, prominent 'L' and 'J'.

***MANAGEMENT'S DISCUSSION  
AND ANALYSIS***

# VILLAGE OF OXFORD, MICHIGAN

## Management's Discussion and Analysis

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As management of the *Village of Oxford, Michigan*, (the "Village") we offer readers of the Village's financial statements this narrative overview and analysis of the activities of the Village for the fiscal year ended June 30, 2004.

### Financial Highlights

- At the end of the current fiscal year, unreserved fund balance for the general fund was \$615,252 or 27% of total general fund expenditures for the fiscal year. The total general fund balance of \$722,491 decreased by \$(54,631) or 7%.
- The special revenue street funds (major, local and municipal) total fund balances increased by \$75,220 or 22.5% to a total of \$408,505.
- A lightning storm caused damage to the village office, police and dispatch equipment that amounted to \$70,000 for replacements which insurance covered the loss.
- General Fund state shared revenues decreased by 21% or \$73,000 from the prior year due to the economic slowdown and state budget balancing. The state shared revenue percentage of the total general fund revenue decreased from 15.0% to 11.4%, a 3.6% decrease.
- The business-type activity funds reflect a rate change in the Sewer Fund after three years of no increases of approximately 35% that took effect starting in August 2003. The Sewer Fund operating revenues were up \$104,000 or 25% from the prior year. The Sewer Fund unrestricted cash and investments increased by \$113,000 or 8% to \$1,399,000. The Water Fund operating revenues were up \$57,000 or 8%. The Water Fund unrestricted cash and investments increased by \$66,000 or 7% to 904,000.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are



# VILLAGE OF OXFORD, MICHIGAN

## Management's Discussion and Analysis

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intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village include general government, public safety, public works, highways and streets, recreation and culture, and community and economic development. The business-type activities of the Village include water distribution and sanitary sewer operations.

The government-wide financial statements include not only the Village of Oxford itself (known as the *primary government*), but also a legally separate downtown development authority known as the Oxford Community Development Authority, for which the Village is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself. The Building Authority, also legally separate, functions for all practical purposes as a department of the Village, and therefore has been included as an integral part of the primary government.

**Fund financial statements.** A *Fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds** are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, which is considered to be a major fund. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* after the *Notes to Financial Statements*.

The Village adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets for the General, Major Streets and Local Streets funds.

# VILLAGE OF OXFORD, MICHIGAN

## Management's Discussion and Analysis

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**Proprietary funds.** The Village maintains two different types of proprietary funds: *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its water and sanitary sewer operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Village's various functions. The Village uses an internal service fund to account for its motor equipment fleet. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sanitary sewer operations, both of which are considered to be major funds of the Village.

**Fiduciary funds.** The Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to a schedule concerning the Village's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village of Oxford, assets exceeded liabilities by \$10,785,308 at the close of the most recent fiscal year.

By far the largest portion of the Village's net assets (60%) reflects its investment in capital assets (e.g., land, buildings and improvements, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to residents; consequently, these assets are *not* available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Since this is the first year of implementation of GASB Statement Number 34, only current year financial information is presented. In subsequent years, the Village will present comparative information.

# VILLAGE OF OXFORD, MICHIGAN

## Management's Discussion and Analysis

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### Village of Oxford's Net Assets

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Current and other assets	\$ 1,238,552	\$ 3,419,672	\$ 4,658,224
Capital assets, net	5,137,067	4,482,177	9,619,244
Total assets	<u>6,375,619</u>	<u>7,901,849</u>	<u>14,277,468</u>
Current liabilities	289,197	213,505	502,702
Noncurrent liabilities	385,982	2,603,476	2,989,458
Total liabilities	<u>675,179</u>	<u>2,816,981</u>	<u>3,492,160</u>
Net assets:			
Invested in capital assets, net of related debt	4,732,067	1,768,701	6,500,768
Restricted assets	582,896	278,997	861,893
Unrestricted	<u>385,477</u>	<u>3,037,170</u>	<u>3,422,647</u>
Total net assets	<u><u>\$ 5,700,440</u></u>	<u><u>\$ 5,084,868</u></u>	<u><u>\$ 10,785,308</u></u>

An additional portion of the Village's net assets (8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, 3,422,647 or 32%, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Village is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The Village's net assets decreased by \$(180,189) during the current fiscal year. This was due to increased expenses for added personnel costs in the building and clerks office, lightning storm damage, legal and litigation costs and new computer equipment.

**Governmental activities.** Governmental activities decreased the Village's net assets by \$(190,476), thereby accounting for 106% of the Village's change in total net assets. Key elements of this are as follows:

- General fund state shared revenues decreased by 21% or \$73,000 from the prior year due to the economic slowdown and state budget balancing. The state shared revenue percentage of the total general fund revenue decreased from 15.0% to 11.4%, a 3.6% decrease.
- Increased expenses added personnel costs in the building and clerk's office of \$32,000.
- A grant reimbursement of \$31,000 for police.
- Litigation costs of \$50,000 for a former police employment case.
- Building lightning storm damage of \$25,000.
- Legal and litigation costs related to Village equity interests in joint venture.

# VILLAGE OF OXFORD, MICHIGAN

## Management's Discussion and Analysis

- New computer equipment of \$44,000.
- For the most part increased in the rest of the expenses closely paralleled inflation and growth in the demand for services.

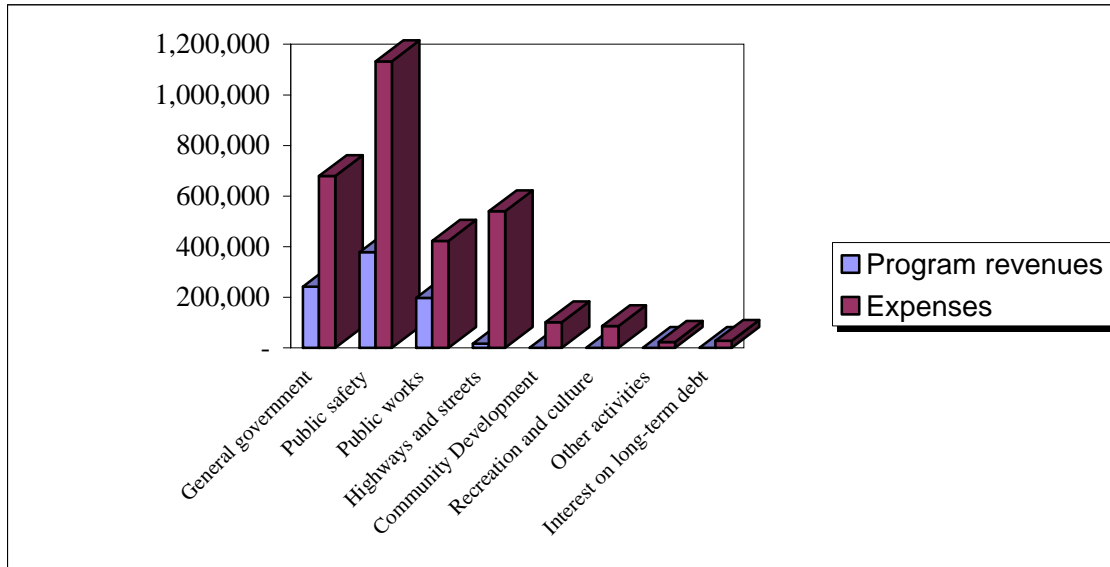
### Village of Oxford's Changes in Net Assets

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenue:			
Program revenues:			
Charges for services	\$ 360,261	\$ 1,234,978	\$ 1,595,239
Operating grants and contributions	713,520	1,328	714,848
Capital grants and contributions	4,870	38,564	43,434
General revenues:			
Property taxes	1,433,639	-	1,433,639
State shared revenue	266,128	-	266,128
Grants and contributions not restricted to specific programs	12,598	14,300	26,898
Other	20,933	28,798	49,731
Total revenues	<u>2,811,949</u>	<u>1,317,968</u>	<u>4,129,917</u>
Expenses:			
General government	679,397	-	679,397
Public safety	1,132,391	-	1,132,391
Public works	423,127	-	423,127
Highways and streets	540,232	-	540,232
Recreation and culture	85,807	-	85,807
Community and economic development	100,636	-	100,636
Other activities	23,324	-	23,324
Interest on long-term debt	27,511	-	27,511
Sewage disposal system	-	517,544	517,544
Water supply system	-	780,137	780,137
Total expenses	<u>3,012,425</u>	<u>1,297,681</u>	<u>4,310,106</u>
Change in net assets before transfers	(200,476)	20,287	(180,189)
Transfers	<u>10,000</u>	<u>(10,000)</u>	<u>-</u>
Change in net assets	(190,476)	10,287	(180,189)
Net assets-beginning	5,890,916	5,074,581	10,965,497
Net assets-ending	<u>\$ 5,700,440</u>	<u>\$ 5,084,868</u>	<u>\$ 10,785,308</u>

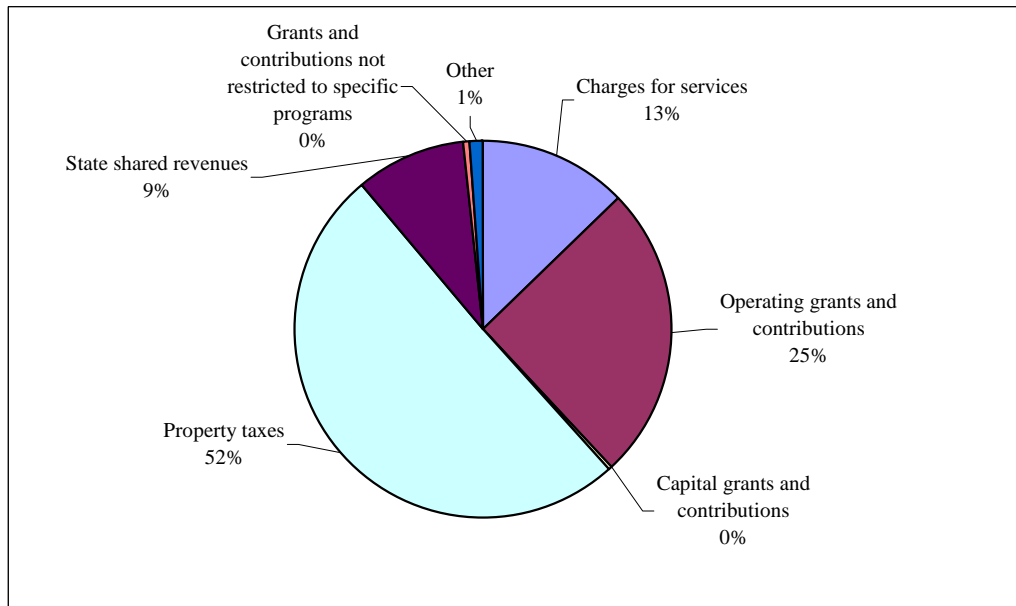
# VILLAGE OF OXFORD, MICHIGAN

## Management's Discussion and Analysis

### Expenses and Program Revenues – Governmental Activities



### Revenues by Source – Governmental Activities



# VILLAGE OF OXFORD, MICHIGAN

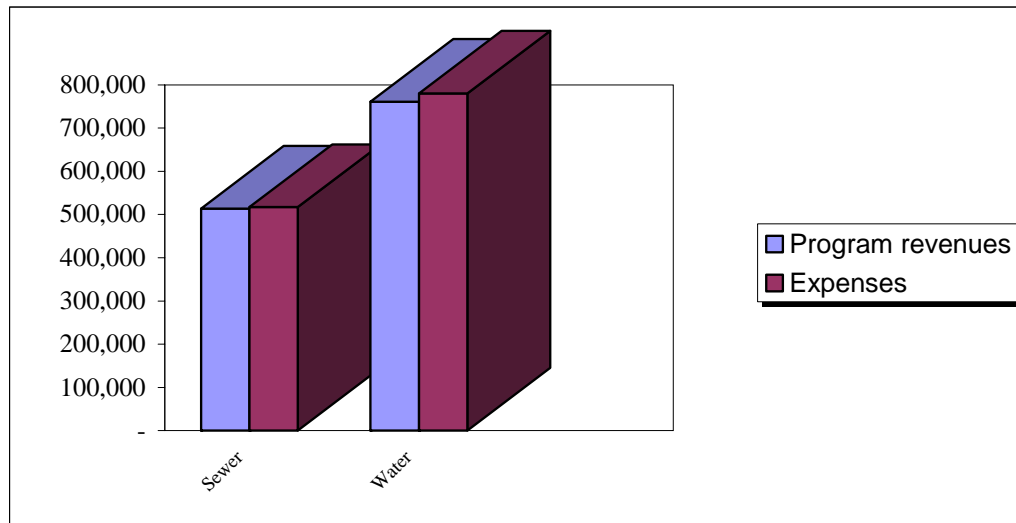
## Management's Discussion and Analysis

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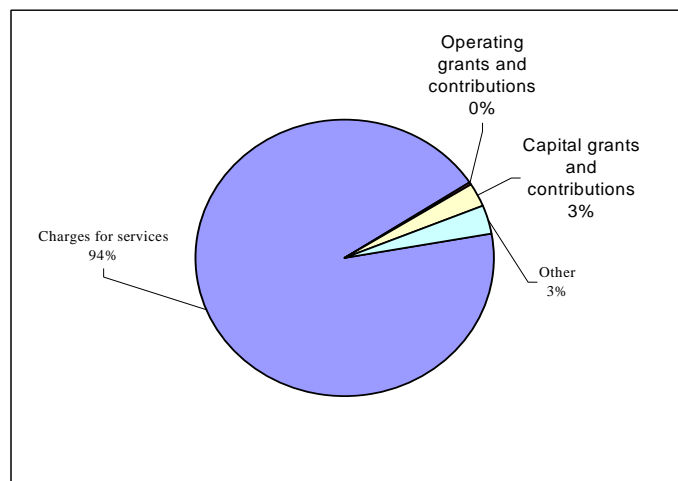
**Business-type Activities.** Business-type activities increased the Village's net assets by \$10,287, offsetting the Village's total decrease in net assets. Key elements of this increase are as follows:

- Charges for services increased by \$162,000 due to a metered flow sewer rate increase of 35% approved in 2003 and increased volume of sales.
  - Professional services in the sewer fund increased by \$37,000 for environmental consulting services.
- 

### Expenses and Program Revenues - Business-Type Activities



### Revenues by Sources – Business-Type Activities



# VILLAGE OF OXFORD, MICHIGAN

## Management's Discussion and Analysis

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### Financial Analysis of the Government's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,220,387 , a increase of \$55,243 in comparison with the prior year. Approximately 76% of this total amount or \$927,156 constitutes *unreserved, undesignated fund balance*, which is available for spending at the government's discretion. Another 8% or \$95,636 is *unreserved, designated*. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to other purposes.

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, *unreserved* fund balance of the general fund was \$615,252 , while total fund balance was \$722,491 . As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 27% of total general fund expenditures, while total fund balance represents 32% of the same amount.

The fund balance of the Village's general fund decreased by \$(54,631)during the current fiscal year. This is primarily attributable to the decrease in General Fund state shared revenues by 21% or \$73,000 from the prior year due to the economic slowdown and state budget balancing. The state shared revenue percentage of the total general fund revenue decreased from 15.0% to 11.4% or a 3.6% decrease.

**Proprietary funds.** The Village's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the Sewer Fund at the end of the year amounted to \$1,661,904 and the Water Fund amounted to \$1,119,083 . The decrease in net assets for both funds was \$(18,748)and \$(27,089), respectively. Over the past several years, the fund balance of the Water and Sewer Fund has been maintained to provide for future maintenance needs of the system.

### General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor. The increase in budgeted revenues of \$124,920 and increase in budgeted expenditures of \$251,188 can be briefly summarized as follows:

- The increase to the revenue final budget was (1) \$70,000 for insurance reimbursement for equipment that was damaged by a lightning storm, and (2) \$55,000 for reimbursement from the Oxford Public Fire and EMS Commission (OPFEC) for fire services dispatch overcharges over the past few years.
- Litigation and legal costs were increased in final budget amounts by \$66,000 along with a

## VILLAGE OF OXFORD, MICHIGAN

### Management's Discussion and Analysis

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\$32,000 contingency added to the Fire budget, capital outlay for equipment was increased by \$64,000 due to the storm damage and \$25,000 was added for park equipment supplies.

#### Capital Asset and Debt Administration

**Capital assets.** The Village's investment in capital assets for its governmental and business-type activities as of June 30, 2004, amounted to \$9,619,244 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, vehicles, and roads, highways, and other infrastructure. The total decrease in the Village's investment in capital assets for the current fiscal year was \$(583,431) or -6% which represents a decrease in governmental activities of \$(368,165) or -7%, and a decrease business-type activities of \$(215,266) or -5% for .

There were no major capital asset events during the current fiscal year, other than the equipment replaced by insurance from the lightning damage of \$70,000 and a ¼ mile section of local street resurfaced at \$63,000.

#### Village of Oxford's Capital Assets (net of depreciation)

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Land	\$ 468,448	\$ -	\$ 468,448
Buildings and systems	1,008,558	4,317,856	5,326,414
Street lighting	28,207	-	28,207
Furniture and equipment	298,135	164,321	462,456
Vehicles	48,732	-	48,732
Infrastructure	3,284,987	-	3,284,987
Total	<u>\$ 5,137,067</u>	<u>\$ 4,482,177</u>	<u>\$ 9,619,244</u>

**Long-term debt.** At the end of the current fiscal year, the Village had total bonded debt and notes outstanding of \$405,000 backed by the full faith and credit of the government. Its purpose is attributable in total to governmental activities. The remainder of the Villages debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).



# VILLAGE OF OXFORD, MICHIGAN

## Management's Discussion and Analysis

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### Village of Oxford's Outstanding Debt General Obligation Bonds and Notes

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Building Authority bonds	\$ 245,000	\$ -	\$ 245,000
Parking District bonds	130,000	-	130,000
Library note payable	30,000	-	30,000
Revenue bonds	-	1,202,920	1,202,920
DWRF bonds	-	1,500,000	1,500,000
	<u>\$ 405,000</u>	<u>\$ 2,702,920</u>	<u>\$ 3,107,920</u>

There were no new issues of general obligation debt during the fiscal year. Total obligation debt decreased by \$(45,000) due to payments on principal by the Village during the year.

### Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Village's budget for the 2004-05 fiscal year:

- Revenue limitations including property tax cap of 2.3%; flat state shared revenues that have significantly declined over the past few years and lower interest investment rates.
- Double digit increases in health insurance costs and general liability and property insurance premiums along with capital equipment needs of the police and public works department.
- The Village and Oxford Community Development Authority (OCDA) are expecting to issue capital improvement bonds for a parking improvement project and major streets reconstruction for a total estimated amount of \$3,500,000.

### Requests for Information

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village Manager, P.O. Box 94, 22 W. Burdick Street, Oxford, Michigan 48371.

***BASIC FINANCIAL  
STATEMENTS***

# VILLAGE OF OXFORD, MICHIGAN

## Statement of Net Assets

June 30, 2004

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Componet Unit</u> <u>Oxford</u> <u>Community</u> <u>Development</u> <u>Authority</u>
	<u>Activities</u>	<u>Activities</u>		
<b>Assets</b>				
Cash and cash equivalents	\$ 1,156,104	\$ 2,303,616	\$ 3,459,720	\$ 526,876
Investments	-	-	-	-
Receivables (net)	283,793	235,222	519,015	5,919
Internal balances	(325,626)	325,626	-	-
Due from component unit	31	-	31	-
Prepaid items and other assets	39,250	226,211	265,461	-
Temporarily restricted assets:				
Cash and cash equivalents	-	328,997	328,997	-
Escrow on land purchase	85,000	-	85,000	85,000
Capital assets, net	<u>5,137,067</u>	<u>4,482,177</u>	<u>9,619,244</u>	<u>808,411</u>
<b>Total assets</b>	<u>6,375,619</u>	<u>7,901,849</u>	<u>14,277,468</u>	<u>1,426,206</u>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	45,683	45,926	91,609	2,629
Customer deposits	-	55,000	55,000	-
Due to primary government	-	-	-	31
Unearned revenue	160,000	2,579	162,579	-
Noncurrent liabilities:				
Due within one year	83,514	110,000	193,514	-
Due in more than one year	<u>385,982</u>	<u>2,603,476</u>	<u>2,989,458</u>	<u>-</u>
<b>Total liabilities</b>	<u>675,179</u>	<u>2,816,981</u>	<u>3,492,160</u>	<u>2,660</u>
<b>Net assets</b>				
Invested in capital assets, net of related debt	4,732,067	1,768,701	6,500,768	808,411
Restricted for:				
Debt service	88,755	278,997	367,752	-
Highways and streets	408,505	-	408,505	-
Other purposes	85,636	-	85,636	85,000
Unrestricted	<u>385,477</u>	<u>3,037,170</u>	<u>3,422,647</u>	<u>530,135</u>
<b>Total net assets</b>	<u>\$ 5,700,440</u>	<u>\$ 5,084,868</u>	<u>\$ 10,785,308</u>	<u>\$ 1,423,546</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF OXFORD, MICHIGAN**  
**Statement of Activities**  
**For the Year Ended June 30, 2004**

<b>Functions / Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Primary government:</b>					
Governmental activities:					
General government	\$ 679,397	\$ 8,711	\$ 233,236	\$ -	\$ (437,450)
Public safety	1,132,391	135,928	237,324	4,870	(754,269)
Public works	423,127	197,510	-	-	(225,617)
Highways and streets	540,232	16,216	234,069	-	(289,947)
Community and economic development	100,636	-	8,891	-	(91,745)
Recreation and culture	85,807	1,896	-	-	(83,911)
Other governmental activities	23,324	-	-	-	(23,324)
Interest on long-term debt	27,511	-	-	-	(27,511)
Total governmental activities	<u>3,012,425</u>	<u>360,261</u>	<u>713,520</u>	<u>4,870</u>	<u>(1,933,774)</u>
Business-type activities:					
Sewer	517,544	513,681	-	-	(3,863)
Water	780,137	721,297	1,328	38,564	(18,948)
Total business-type activities	<u>1,297,681</u>	<u>1,234,978</u>	<u>1,328</u>	<u>38,564</u>	<u>(22,811)</u>
Total primary government	<u>\$ 4,310,106</u>	<u>\$ 1,595,239</u>	<u>\$ 714,848</u>	<u>\$ 43,434</u>	<u>\$ (1,956,585)</u>
<b>Component unit:</b>					
Oxford community development authority	<u>\$ 176,204</u>	<u>\$ 422</u>	<u>\$ 22,741</u>	<u>\$ -</u>	<u>\$ (153,041)</u>

continued...

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF OXFORD, MICHIGAN**  
**Statement of Activities (Concluded)**  
**For the Year Ended June 30, 2004**

	<b>Primary Government</b>			<b>Componet Unit</b>
	<b>Governmental</b>	<b>Business-type</b>		<b>Oxford</b>
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>	<b>Community</b>
				<b>Development</b>
				<b>Authority</b>
<b>Changes in net assets</b>				
Net (expense) revenue	\$ (1,933,774)	\$ (22,811)	\$ (1,956,585)	\$ (153,041)
General revenues:				
Property taxes	1,433,639	-	1,433,639	292,188
State shared revenue	266,128	-	266,128	-
Grants and contributions not				
restricted to specific programs	12,598	14,300	26,898	-
Unrestricted investment earnings	20,933	28,798	49,731	3,767
Transfers - internal activities	10,000	(10,000)	-	-
Total general revenues, contributions				
and transfers	1,743,298	33,098	1,776,396	295,955
Change in net assets	(190,476)	10,287	(180,189)	142,914
Net assets, beginning of year, as restated	5,890,916	5,074,581	10,965,497	1,280,632
<b>Net assets, end of year</b>	<b>\$ 5,700,440</b>	<b>\$ 5,084,868</b>	<b>\$ 10,785,308</b>	<b>\$ 1,423,546</b>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF OXFORD, MICHIGAN

## Balance Sheet Governmental Funds June 30, 2004

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 512,890	\$ 443,592	\$ 956,482
Receivables:			
Accounts receivable	58,230	-	58,230
Taxes-delinquent	25,788	-	25,788
Allowance for delinquent taxes	(6,875)	-	(6,875)
Special assessments	-	73,210	73,210
Due from component units	31	-	31
Due from other governments	93,478	39,962	133,440
Deposit - restricted for land acquisition	85,000	-	85,000
Prepaid items	22,239	15,194	37,433
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 790,781</u>	<u>\$ 571,958</u>	<u>\$ 1,362,739</u>
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 29,515	\$ 852	\$ 30,367
Accrued liabilities	9,591	-	9,591
Due to other funds	10,270	-	10,270
Deferred revenue	18,914	73,210	92,124
Total liabilities	<u>68,290</u>	<u>74,062</u>	<u>142,352</u>
 <b>Fund balances:</b>			
Reserved for:			
Debt service	-	75,162	75,162
Prepays and deposits	107,239	15,194	122,433
Unreserved:			
Designated for subsequent expenditures	39,439	34,763	74,202
Designated for Metamora Landfill	21,434	-	21,434
Undesignated reported in:			
General fund	554,379	-	554,379
Special revenue funds	-	372,777	372,777
Total fund balances	<u>722,491</u>	<u>497,896</u>	<u>1,220,387</u>
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 790,781</u>	<u>\$ 571,958</u>	<u>\$ 1,362,739</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF OXFORD, MICHIGAN**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**June 30, 2004**

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Fund balances - total governmental funds	\$ 1,220,387
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: capital assets	9,632,313
Deduct: accumulated depreciation	(5,236,202)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred personal property taxes and special assessments	92,124
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An internal service fund is used by management to charge the costs of certain equipment usage to individual funds. A portion of the assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

Add: net assets of governmental activities accounted for in the internal service fund	467,039
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: bonds payable	(375,000)
Deduct: notes payable	(30,000)
Deduct: accrued interest payable	(5,725)
Deduct: compensated absences	(64,496)

Net assets of governmental activities	<u><u>\$ 5,700,440</u></u>
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The accompanying notes are an integral part of these financial statements.

**VILLAGE OF OXFORD, MICHIGAN**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2004**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Property taxes	\$ 1,429,002	\$ 40,692	\$ 1,469,694
Licenses and permits	39,166	-	39,166
Intergovernmental	342,446	234,069	576,515
Charges for services	214,400	-	214,400
Fines and forfeitures	29,990	-	29,990
Investment earnings	9,856	14,984	24,840
Other	309,775	16,216	325,991
Total revenues	<u>2,374,635</u>	<u>305,961</u>	<u>2,680,596</u>
<b>Expenditures</b>			
Current:			
General government	617,769	-	617,769
Public safety	938,029	-	938,029
Public works	469,921	-	469,921
Highways and streets	-	195,655	195,655
Community and economic development	89,301	-	89,301
Recreation and culture	61,809	-	61,809
Other functions	23,325	-	23,325
Capital Outlay	79,007	87,445	166,452
Debt service:			
Principal	10,000	35,000	45,000
Interest and fiscal charges	1,200	26,892	28,092
Total expenditures	<u>2,290,361</u>	<u>344,992</u>	<u>2,635,353</u>
Revenues over (under) expenditures	<u>84,274</u>	<u>(39,031)</u>	<u>45,243</u>
<b>Other financing sources (uses)</b>			
Transfers in	10,000	242,550	252,550
Transfers out	(148,905)	(93,645)	(242,550)
Total other financing sources (uses)	<u>(138,905)</u>	<u>148,905</u>	<u>10,000</u>
Net change in fund balances	(54,631)	109,874	55,243
Fund balances, beginning of year, as restated	<u>777,122</u>	<u>388,022</u>	<u>1,165,144</u>
<b>Fund balances, end of year</b>	<u><u>\$ 722,491</u></u>	<u><u>\$ 497,896</u></u>	<u><u>\$ 1,220,387</u></u>

The accompanying notes are an integral part of these financial statements.



**VILLAGE OF OXFORD, MICHIGAN**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2004**

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Net change in fund balances - total governmental funds	\$	55,243
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay		166,452
Deduct: depreciation expense		(497,994)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Deduct: net difference in deferred revenue		(39,959)
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities		45,000
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An internal service fund is used by management to charge the costs of certain equipment usage to individual funds. A portion of the net revenue (expense) of the internal service fund attributable to those funds is reported with governmental activities.

Add: net operating income from governmental activities in the internal service fund		65,326
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add: decrease in accrued interest payable		580
Add: decrease in the accrual for compensated absences		14,876

Change in net assets of governmental activities	\$	(190,476)
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The accompanying notes are an integral part of these financial statements.

**VILLAGE OF OXFORD, MICHIGAN**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2004**

	<b>Budgeted Amounts</b>			<b>Actual Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Taxes	\$ 1,433,222	\$ 1,421,538	\$ 1,429,002	\$ 7,464
Licenses and permits	27,610	37,009	39,166	2,157
Intergovernmental:				
Federal grants	-	8,890	8,891	1
State grants	288,400	271,356	270,655	(701)
Local reimbursements	67,000	62,899	62,900	1
Charges for services	226,736	212,537	214,400	1,863
Fines and forfeitures	20,000	26,270	29,990	3,720
Investment earnings	11,000	10,620	9,856	(764)
Other	165,922	313,691	309,775	(3,916)
Total revenues	<u>2,239,890</u>	<u>2,364,810</u>	<u>2,374,635</u>	<u>9,825</u>
<b>Expenditures</b>				
General government:				
Council	9,648	10,565	10,554	(11)
Manager	101,292	106,090	118,824	12,734
Elections	1,400	1,689	1,688	(1)
Attorney	70,000	106,100	112,228	6,128
Clerk	213,714	218,933	210,467	(8,466)
Treasurer	68,773	70,057	67,297	(2,760)
Building & Grounds	63,258	87,864	85,853	(2,011)
Appeals fees	500	570	410	(160)
Beautification committee	4,095	10,595	10,448	(147)
Total general government	<u>532,680</u>	<u>612,463</u>	<u>617,769</u>	<u>5,306</u>
Public safety:				
Police	509,124	547,335	520,138	(27,197)
Fire	148,177	204,201	178,016	(26,185)
911 and Communications	241,176	246,751	232,667	(14,084)
Building inspection	5,400	7,100	7,208	108
Total public safety	<u>903,877</u>	<u>1,005,387</u>	<u>938,029</u>	<u>(67,358)</u>
Public works:				
Department of public works	226,342	239,603	229,410	(10,193)
Light poles	37,020	41,141	41,875	734
Engineering fees	5,000	4,612	5,032	420
Rubbish contracts	192,800	193,602	193,604	2
Total public works	<u>461,162</u>	<u>478,958</u>	<u>469,921</u>	<u>(9,037)</u>

Continued....

**VILLAGE OF OXFORD, MICHIGAN**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2004**

	<b>Budgeted Amounts</b>			<b>Actual Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
Concluded....				
Community and economic development:				
Planning & building department	\$ 56,489	\$ 61,422	\$ 59,110	\$ (2,312)
Planning fees	26,000	19,750	16,993	(2,757)
Public relations	11,000	13,203	13,198	(5)
Total community and economic development	93,489	94,375	89,301	(5,074)
Recreation and culture:				
Parks	38,519	55,994	61,809	5,815
Other functions:				
Insurance	11,353	10,675	10,674	(1)
Other	14,392	13,086	12,651	(435)
Total other functions	25,745	23,761	23,325	(436)
Capital Outlay	34,000	98,035	79,007	(19,028)
Debt service:				
Principal	10,000	10,000	10,000	-
Interest	1,200	1,200	1,200	-
Total debt service	11,200	11,200	11,200	-
Total expenditures	2,100,672	2,380,173	2,290,361	(89,812)
Revenues over (under) expenditures	139,218	(15,363)	84,274	99,637
<b>Other financing sources (uses)</b>				
Transfers in	10,000	10,000	10,000	-
Transfers out	(177,218)	(148,905)	(148,905)	-
Total other financing (uses)	(167,218)	(138,905)	(138,905)	-
Net change in fund balances	(28,000)	(154,268)	(54,631)	99,637
Fund balance, beginning of year, as restated	777,122	777,122	777,122	-
<b>Fund balance, end of year</b>	<b>\$ 749,122</b>	<b>\$ 622,854</b>	<b>\$ 722,491</b>	<b>\$ 99,637</b>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF OXFORD, MICHIGAN

## Statement of Net Assets

### Proprietary Funds

June 30, 2004

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities Vehicle and Equipment Internal Service Fund</b>
	<b>Sewer</b>	<b>Water</b>	<b>Total</b>	
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 1,399,208	\$ 904,408	\$ 2,303,616	\$ 199,622
Accounts receivable	107,436	127,785	235,221	-
Due from other funds	-	3,800	3,800	10,270
Prepaid expenses	81,690	144,521	226,211	1,817
Total current assets	<u>1,588,334</u>	<u>1,180,514</u>	<u>2,768,848</u>	<u>211,709</u>
Noncurrent assets:				
Restricted cash and cash equivalents	-	328,997	328,997	-
Advances to other funds	80,000	-	80,000	-
Capital assets (net of accumulated depreciation)	<u>906,784</u>	<u>3,575,393</u>	<u>4,482,177</u>	<u>740,956</u>
Total noncurrent assets	<u>986,784</u>	<u>3,904,390</u>	<u>4,891,174</u>	<u>740,956</u>
 Total assets	 <u>2,575,118</u>	 <u>5,084,904</u>	 <u>7,660,022</u>	 <u>952,665</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	97	440	537	-
Due to other funds	<u>3,800</u>	<u>-</u>	<u>3,800</u>	<u>-</u>
Total current liabilities	<u>3,897</u>	<u>440</u>	<u>4,337</u>	<u>-</u>
Current liabilities payable from restricted assets:				
Restricted deposit	-	55,000	55,000	-
Accrued interest	-	45,389	45,389	-
Bonds payable - current portion	<u>-</u>	<u>110,000</u>	<u>110,000</u>	<u>-</u>
Total current liabilities payable from restricted assets	<u>-</u>	<u>210,389</u>	<u>210,389</u>	<u>-</u>
Noncurrent liabilities:				
Charges received in advance	-	2,579	2,579	160,000
Accrued compensated absences	<u>2,533</u>	<u>8,023</u>	<u>10,556</u>	<u>-</u>
Bonds payable - net of current portion and unamortized bond discount of \$22,077	-	2,592,920	2,592,920	-
Advances from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,000</u>
Total noncurrent liabilities	<u>2,533</u>	<u>3,024,300</u>	<u>3,026,833</u>	<u>240,000</u>
 Total liabilities	 <u>6,430</u>	 <u>3,235,129</u>	 <u>3,241,559</u>	 <u>240,000</u>
<b>Net Assets</b>				
Investment in capital assets, net of related debt	906,784	872,473	1,779,257	740,956
Restricted for bond redemption	-	278,997	278,997	-
Unrestricted (deficit)	<u>1,661,904</u>	<u>1,119,083</u>	<u>2,780,987</u>	<u>(28,291)</u>
 Total net assets	 <u>\$ 2,568,688</u>	 <u>\$ 2,270,553</u>	 <u>4,839,241</u>	 <u>\$ 712,665</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>245,627</u>	
Net assets of business type activities			<u>\$ 5,084,868</u>	

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF OXFORD, MICHIGAN**  
**Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2004**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities</b>
	<b>Sewer</b>	<b>Water</b>	<b>Total</b>	<b>Motor Pool Internal Service Fund</b>
<b>Operating revenues</b>				
Charges for services	\$ 512,913	\$ 759,775	\$ 1,272,688	\$ 258,009
Miscellaneous fees	14,300	-	14,300	-
Other	768	1,414	2,182	22,959
Total operating revenues	527,981	761,189	1,289,170	280,968
<b>Operating expenses</b>				
Personal services	38,520	193,217	231,737	51,470
Professional services	263,329	4,800	268,129	521
Supplies	6,813	50,880	57,693	9,420
Contractual services	-	72,525	72,525	12,502
Repairs and maintenance	-	2,379	2,379	14,793
Equipment rental	62,620	62,620	125,240	-
Insurance	13,768	13,874	27,642	9,896
Utilities	-	33,488	33,488	-
Depreciation	96,273	153,189	249,462	59,257
Administration	60,473	60,773	121,246	-
Other	3,810	2,394	6,204	556
Total operating expenses	545,606	650,139	1,195,745	158,415
Operating income (loss)	(17,625)	111,050	93,425	122,553
<b>Non-operating revenues (expenses)</b>				
Interest income	18,877	9,921	28,798	1,598
Interest expense	-	(158,060)	(158,060)	(2,700)
Total non-operating revenues (expenses)	18,877	(148,139)	(129,262)	(1,102)
Income (loss) before capital contributions and transfers	1,252	(37,089)	(35,837)	121,451
Transfers in	-	15,000	15,000	-
Transfers out	(20,000)	(5,000)	(25,000)	-
Change in net assets	(18,748)	(27,089)	(45,837)	121,451
Net assets, beginning of year	2,587,436	2,297,642		591,214
<b>Net assets, end of year</b>	<b>\$ 2,568,688</b>	<b>\$ 2,270,553</b>		<b>\$ 712,665</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			56,124	
Change in net assets of business-type activities			<u>\$ 10,287</u>	

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF OXFORD, MICHIGAN**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2004**

				<b>Governmental Activities</b>
				<b>Motor Pool Internal Service Fund</b>
	<b>Sewer</b>	<b>Water</b>	<b>Total</b>	
<b>Cash flows from operating activities</b>				
Cash received from customers and others	\$ 513,858	\$ 781,584	1,295,442	\$ -
Cash received from interfund services	11,199	-	11,199	285,867
Cash payments to employees	(16,278)	(137,733)	(154,011)	(26,997)
Cash payments to suppliers for goods and services	(362,120)	(260,496)	(622,616)	(111,374)
Cash payments for interfund services	(59,368)	(70,705)	(130,073)	(10,726)
Net cash provided by operating activities	87,291	312,650	399,941	136,770
<b>Cash flows from investing activities</b>				
Investment income	18,877	9,921	28,798	1,598
<b>Cash flows from capital and related financing activities</b>				
Purchase of capital assets	-	(34,591)	(34,591)	(22,634)
Bond/note principal payments	-	(103,701)	(103,701)	-
Bond/note interest payments	-	(158,060)	(158,060)	(2,700)
Net cash (used) by capital and related financing activities	-	(296,352)	(296,352)	(25,334)
<b>Cash flows from non-capital financing activities</b>				
Transfers in	-	15,000	15,000	-
Transfers out	(20,000)	(5,000)	(25,000)	-
Net cash provided (used) by non-capital financing activities	(20,000)	10,000	(10,000)	-
Net increase (decrease) in cash and cash equivalents	86,168	36,219	122,387	113,034
Cash and cash equivalents, beginning of year	1,313,040	1,197,186	2,510,226	86,588
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,399,208</b>	<b>\$ 1,233,405</b>	<b>\$ 2,632,613</b>	<b>\$ 199,622</b>

Continued...

**VILLAGE OF OXFORD, MICHIGAN**  
**Statement of Cash Flows (Concluded)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2004**

				<b>Governmental Activities</b>
				<b>Vehicle and Equipment</b>
				<b>Internal Service Fund</b>
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>				
Operating income (loss)	\$ (17,625)	\$ 111,050	\$ 93,425	\$ 122,553
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	96,273	153,189	249,462	59,257
Changes in assets and liabilities:				
Accounts receivable - customers	(14,123)	20,395	6,272	-
Due from other funds	1,199	(1,471)	(272)	4,899
Prepaid items	16,630	17,018	33,648	4,658
Advances to other funds	10,000	-	10,000	-
Accounts payable	(10,848)	(22,908)	(33,756)	(23,871)
Due to other funds	3,252	(6,614)	(3,362)	(726)
Restricted deposits payable	-	(14,000)	(14,000)	-
Accrued liabilities	-	45,389	45,389	-
Charges received in advance	-	2,579	2,579	(20,000)
Accrued compensated absences	2,533	8,023	10,556	-
Advances from other funds	-	-	-	(10,000)
<b>Net cash provided by operating activities</b>	<u>\$ 87,291</u>	<u>\$ 312,650</u>	<u>\$ 399,941</u>	<u>\$ 136,770</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF OXFORD, MICHIGAN**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Fund**  
**June 30, 2004**

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	<b>Agency Fund</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 97,985
	<hr/>
<b>Liabilities</b>	
Accrued liabilities	10,274
Performance bonds	87,711
	<hr/>
Total liabilities	\$ 97,985
	<hr/>



# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

The Village of Oxford, Michigan (the “Village” or “government”) is a municipal corporation governed by an elected five-member council and an appointed Village Manager. The accompanying financial statements present the Village (the primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the government’s operations. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

##### **Blended component unit**

***Building Authority.*** The members of the governing board of the Oxford Building Authority are appointed by the Village Council. The budgets and expenditures of the Building Authority are approved by the Village Council. For financial reporting purposes, the Building Authority is reported as if it were part of the Village’s operation because the Village has the ability to significantly influence operations, and the Building Authority’s sole purpose is to serve the Village. Complete financial statements of the Building Authority are not prepared.

##### **Discretely presented component unit**

***Downtown Development Authority.*** The component unit column in the combined financial statements include the financial data of the Village’s discretely presented component unit, the Oxford Community Development Authority (the “Authority”). The discretely presented component unit is reported in a separate column to emphasize it is legally separate from the Village. The members of the governing board of the Authority are appointed by the Village Board. The budgets and expenditures of the Authority must be approved by the Village Board. Complete financial statements of the Oxford Community Development Authority can be obtained at the Village’s administrative offices.

#### B. Basis of Presentation - Government-Wide and Fund Financial Statements

***Government-wide financial statements.*** The statements of net assets and activities report information on all of the non-fiduciary activities of the primary government (the Village) and its component unit. For the most part, eliminations have been made to remove the effect of double-counting inter-fund activities. These statements distinguish between the Village’s *governmental* and *business-type activities*. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities rely to a significant extent on fees and charges for services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

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The statement of activities demonstrates the degree to which direct expenses are offset by program revenues for the different business-type activities of the Village and for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable with a particular function or segment. Program revenues include (1) fees, fines and charges paid by the recipients of goods or services offered by the programs and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including taxes and other items, are presented as general revenues.

***Fund financial statements.*** The fund financial statements report in separate statements, information for governmental, proprietary and fiduciary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

***Government-wide, proprietary and fiduciary fund financial statements.*** The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Village's enterprise funds and internal services fund are charges to customers for sales and services. Operating expenses for enterprise funds and the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Non-exchange transactions, in which the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

***Governmental fund financial statements.*** Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Village generally considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. The exception to this relates to state shared revenues which are considered

# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

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available if they are collected within ninety days after year end. Property taxes, franchise taxes, intergovernmental revenues, licenses and interest are considered to be susceptible to accrual.

Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

The Village reports the following major governmental fund:

*General fund.* This is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Village reports the following major proprietary funds:

*Water fund.* This fund accounts for the activities of the Village's water distribution and water treatment system.

*Sewer fund.* This fund accounts for the activities of the sewage disposal and sewage treatment system.

Additionally, the Village reports the following fund types:

*Special revenue funds.* These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

*Debt service funds.* These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

*Internal service fund.* This fund accounts for operations that provide services to other departments or agencies of the Village. The Village maintains one internal service fund, the Motor Equipment Fund.

*Agency fund.* This fund accounts for assets held for other governments in an agency capacity.

Both the government-wide and proprietary fund financial statements of the Village follow private-sector standards of accounting and financial reporting issued prior to December 1, 1989, unless those standards conflict with guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

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As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Under the terms of grant agreements, the Village funds certain programs by a combination of specific cost-reimbursement grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Village's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

### **D. Assets, Liabilities and Equity**

#### ***Deposits and investments***

The Village maintains an investment pool for all Village funds. Each fund's portion of the investment pool is displayed on the statement of net assets/balance sheet as "cash and cash equivalents".

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have established market values are reported at estimated fair value. Cash deposits are reported at carrying amounts, which reasonably approximates fair value.

Unrealized appreciation or depreciation on pension trust fund investments due to changes in fair value is recognized each year.

#### ***Receivables and payables***

All trade and delinquent property tax receivables are shown net of an allowance for uncollectibles, as applicable.

# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

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All outstanding balances between funds are reported as *due to/from other funds*. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as *internal balances*.

### ***Inventories, prepaid items and other assets***

All inventories are valued at cost using the first-in/first-out method. Generally, inventories of governmental funds are recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### ***Restricted assets***

Certain proceeds of the Village's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

### ***Capital assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

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Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	5-25
Buildings and building improvements	5-25
Public domain infrastructure	15-25
Water and wastewater system infrastructure	10-40
Vehicles	2-10
Office equipment	5-10
Machinery and equipment	5-10

### ***Compensated absences***

It is the government's policy to permit employees to accumulate earned but unused sick and compensatory time benefits, subject to certain limitations. All sick time pay is accrued at 50 percent of earned and unused leave hours in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

### ***Long-term obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### ***Fund equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Fund balance designations represent tentative management plans that are subject to change.

# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

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### II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at year-end, except for those approved by the Village Council for carry forward. The legal level of budgetary control is the activity level for the general fund and the fund level for special revenue funds.

The Village Council requires the Village Manager to submit an estimate of revenues and anticipated expenditures for the succeeding fiscal year in June. The Village Manager is then authorized to assign and transfer budget amounts within each fund to the extent that the net total fund appropriation (which the Village defines as gross authorized expenditures less related revenues that are specifically designated to fund those activities) is not exceeded. Village Council approval is required for any budgetary changes that result in an increase to net appropriations.

Formal budgetary integration is employed as a management control during the year. Supplemental appropriations were approved by the Village Council in the form of budget amendment resolutions or as part of special authorizing motions for grants, bonds or notes, the total of which was not significant in relation to the original budget appropriation valuations.

#### B. Excess of Expenditures Over Appropriations

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended June 30, 2004, the Village incurred expenditures in excess of the amounts appropriated as follows:

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
General Fund Activity:			
Manager	\$ 106,090	\$ 118,824	\$ 12,734
Attorney	106,100	112,228	6,128
Building inspection	7,100	7,208	108
Light poles	41,141	41,875	734
Engineering fees	4,612	5,032	420
Rubbish contracts	193,602	193,604	2
Parks	55,994	61,809	5,815

# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

### III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

#### A. Deposits, Investments and Securities Lending

*Summary of Deposit and Investment Balances.* Following is a reconciliation of deposit and investment balances as of June 30, 2004:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Total</u>
<b>Statement of Net Assets</b>			
Cash and cash equivalents	\$ 3,459,720	\$ 526,876	\$ 3,986,596
Restricted cash and cash Equivalents	328,997	-	328,997
<b>Statement of Fiduciary Net Assets</b>			
Cash and cash equivalents	<u>97,985</u>	<u>-</u>	<u>97,985</u>
<b>Total</b>	<u>\$ 3,886,702</u>	<u>\$ 526,876</u>	<u>\$ 4,413,578</u>

#### **Deposits and Investments**

Bank deposits (checking accounts, savings accounts and CDs)	\$ 4,413,378
Cash on hand	<u>200</u>
<b>Total</b>	<u>\$ 4,413,578</u>

*Deposits.* At year-end, the carrying amount of deposits was \$4,413,578. The bank balance was \$4,588,364. Of the bank balance, \$200,000 was covered by federal depository insurance, which includes \$100,000 for interest bearing accounts and \$100,000 for non-interest bearing accounts, and \$4,388,364 was uninsured and uncollateralized..

The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits at all times. As a result, the Village evaluates each financial institution with which it deposits Village funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### B. Receivables

Receivables in the governmental activities are 47.0 percent due from other governments, 20.5 percent accounts receivables and 32.5 percent taxes and special assessments. Business-type activities receivables are 100 percent due from customers.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds



# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the deferred revenue was one hundred percent made up of unavailable funds related to personal property taxes and special assessments that have been earned, but not yet received.

### C. Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

#### *Primary government*

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets, not being depreciated -				
Land	\$ 468,448	\$ -	\$ -	\$ 468,448
Capital assets, being depreciated:				
Buildings and improvements	1,496,475	-	-	1,496,475
Street lighting	70,550	-	-	70,550
Office furnishings and equipment	1,114,632	101,641	-	1,216,273
Vehicles	79,698	-	-	79,698
Infrastructure	7,707,140	87,445	-	7,794,585
Total capital assets being depreciated	10,468,495	189,086	-	10,657,581
Less accumulated depreciation for				
Buildings and improvements	(431,349)	(56,568)	-	(487,917)
Street lighting	(37,640)	(4,703)	-	(42,343)
Office furnishings and equipment	(806,083)	(112,055)	-	(918,138)
Vehicles	(21,004)	(9,962)	-	(30,966)
Infrastructure	(4,135,635)	(373,963)	-	(4,509,598)
Total accumulated depreciation	(5,431,711)	(557,251)	-	(5,988,962)
Total capital assets being depreciated, net	5,036,784	(368,165)	-	4,668,619
Governmental activities capital assets, net	<u>\$ 5,505,232</u>	<u>\$ (368,165)</u>	<u>\$ -</u>	<u>\$ 5,137,067</u>

# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets, being depreciated:				
Land improvements	\$ 34,727	\$ -	\$ -	\$ 34,727
Buildings and improvements	286,414	-	-	286,414
Office furnishing and equipment	22,154	-	-	22,154
Water supply system improvements	4,497,503	-	-	4,497,503
Village lateral lines	2,650,000	-	-	2,650,000
Paint Creek interceptor	1,137,457	-	-	1,137,457
Machinery and equipment	206,307	34,591	-	240,898
Total capital assets being depreciated	<u>8,834,562</u>	<u>34,591</u>	<u>-</u>	<u>8,869,153</u>
Less accumulated depreciation for				
Land improvements	(24,718)	(575)	-	(25,293)
Buildings and improvements	(171,291)	(6,564)	-	(177,855)
Office furnishings and equipment	(18,898)	(1,786)	-	(20,684)
Water supply system improvements	(1,057,818)	(139,322)	-	(1,197,140)
Village lateral lines	(1,954,375)	(66,250)	-	(2,020,625)
Paint Creek interceptor	(838,895)	(28,437)	-	(867,332)
Machinery and equipment	(71,519)	(6,528)	-	(78,047)
Total accumulated depreciation	<u>(4,137,514)</u>	<u>(249,462)</u>	<u>-</u>	<u>(4,386,976)</u>
Business-type activities capital assets, net	<u>\$ 4,697,048</u>	<u>\$ (214,871)</u>	<u>\$ -</u>	<u>\$ 4,482,177</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
General government	\$ 68,239
Public safety	21,596
Public works	9,308
Highways and streets	373,963
Community and economic development	10,553
Recreation and culture	14,335
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>59,257</u>
Total depreciation expense - governmental activities	<u>\$ 557,251</u>

# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

Business-type activities	
Water fund	\$ 153,189
Sewer fund	96,273
	<u>\$ 249,462</u>

### Discretely presented component unit

Activity for the Oxford Community Development Authority for the year ended June 20, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 808,411	\$ -	\$ -	\$ 808,411
Capital assets, being depreciated		-		
Street lighting	24,255	-	-	24,255
Equipment	17,314	-	-	17,314
Total capital assets being depreciated	41,569	-	-	41,569
Less accumulated depreciation for				
Street lighting	(22,647)	(1,608)	-	(24,255)
Equipment	(17,314)	-	-	(17,314)
Total accumulated depreciation	(39,961)	(1,608)	-	(41,569)
Total capital assets being depreciated	1,608	(1,608)	-	-
Component unit activity capital assets, net	<u>\$ 810,019</u>	<u>\$ (1,608)</u>	<u>\$ -</u>	<u>\$ 808,411</u>

### **D. Interfund Receivables, Payables and Transfers**

The following are the interfund receivables and payables balances at June 30, 2004:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
Proprietary Funds		
Water Fund	Sewer Fund	\$ 3,800
Internal Service – Vehicle and Equipment Fund	General Fund	10,270
		<u>\$ 14,070</u>

# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

Generally, outstanding balances between funds reported as “due to/from other funds” include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end, and other miscellaneous receivables/payables between funds.

Additionally, there is an advance from the Sewer Fund to the Vehicle and Equipment Fund for \$80,000, which was used by the Vehicle and Equipment Fund to construct a new building in 2002.

For the year then ended, interfund transfers consisted of the following:

Transfers out	Transfer In		
	General	Non-Major Governmental Funds	Water
General	\$ -	\$ 148,905	\$ -
Non-Major Governmental Funds	-	93,645	-
Sewer	5,000	-	15,000
Water	5,000	-	-
Total	\$ 10,000	\$ 242,550	\$ 15,000

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

### E. Long-term Debt

*General obligation bonds.* The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities.

Purpose	Interest Rate	Amount
<b>Governmental activities</b>		
Series 1990 Building Authority Bonds	6.8%-7.0%	\$ 245,000
Parking District #4 Bonds	4.4%-5.65%	130,000
Oxford Library Notes Payable	3.0%	30,000
		<u>\$ 405,000</u>

# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

	<u>Interest Rate</u>	<u>Amount</u>
<b>Business-type activities</b>		
1996 Water Revenue Bonds, net of \$22,077 unamortized discount	5.2%-8.0%	\$ 1,202,920
1998 DWRP Bonds	Variable	1,500,000
		<u>\$ 2,702,920</u>

Annual debt service requirements to maturity for debt is as follows:

	<i>Governmental Activities</i>		<i>Business-type Activities</i>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 50,000	\$ 24,040	\$ 108,701	\$ 107,877
2006	50,000	21,108	108,701	104,413
2007	50,000	18,170	138,701	100,239
2008	55,000	14,766	138,701	95,227
2009	55,000	11,194	143,701	90,189
2010-2014	145,000	11,279	813,507	365,739
2015-2019	-	-	953,507	192,958
2020-2022	-	-	297,401	26,550
	<u>\$ 405,000</u>	<u>\$ 100,557</u>	<u>\$ 2,702,920</u>	<u>\$ 1,083,192</u>

*Changes in Long-Term Debt.* Long-term liability activity for the year ended June 30, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Primary Government</b>					
<b>Governmental activities</b>					
Series 1990 Building Authority Bonds	\$ 270,000	\$ -	\$ (25,000)	\$ 245,000	\$ 30,000
Parking District #4 Bonds	140,000	-	(10,000)	130,000	10,000
Oxford Library Notes Payable	40,000	-	(10,000)	30,000	10,000
Accrued compensated Absences	79,372	-	(14,876)	64,496	33,514
	<u>\$ 529,372</u>	<u>\$ -</u>	<u>\$ (59,876)</u>	<u>\$ 469,496</u>	<u>\$ 83,514</u>

# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type activities</b>					
1996 Water Revenue					
Bonds, net of \$22,077 unamortized discount	\$ 1,226,621	\$ -	\$ (23,701)	\$ 1,202,920	\$ 25,000
1998 DWRB Bonds	1,580,000	-	(80,000)	1,500,000	85,000
Accrued compensated absences	-	10,556	-	10,556	-
	<u>\$ 2,806,621</u>	<u>\$ 10,556</u>	<u>\$ (103,701)</u>	<u>\$ 2,713,476</u>	<u>\$ 110,000</u>

For the governmental activities, compensated absences are generally liquidated by the general fund.

### F. Segment Information – Enterprise Funds

The Water Fund and the Sewer Fund are individual funds that account entirely for the government's water and wastewater activities. These funds are segments and are reported as major funds in the fund financial statements; therefore, segment disclosures herein are not required.

## IV. OTHER INFORMATION

### A. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and distribution of assets; errors and omissions; injuries to employees and natural disasters. The Village carries commercial insurance to cover any potential claims associated with these risks and has had no claims that exceeded the insurance coverage during the past three years.

### B. Property Taxes

The government's property taxes are levied each July 1 on the taxable valuation of property located in the Village as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest if paid in full by August 31<sup>st</sup>. As of September 30, the unpaid property taxes are added to the Oakland County tax rolls. Assessed values, as established annually by the government and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. The taxable value of real and personal property in the Village for the 2003 levy, including industrial facilities was \$112,778,203. The government's general operating tax rate for fiscal 2003-04 was 12.62 mills.

Property taxes for the Oxford Community Development Authority (the "Authority") are derived from tax increment financing agreements with the various applicable taxing authorities. Under

# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

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these arrangements, the Authority receives the property taxes levied on the increment of current taxable values over the base year values on those properties located within the established tax increment financing district.

Property taxes are recognized in the fiscal year in which they are levied.

### C. Contingent Liabilities

#### Grove Street Property

The Village is in the process of purchasing a Grove Street property by exercising their right of eminent domain. The condemnation action is to ensure free parking to promote the viability of the community interests in the downtown area. The owner of the property is disputing the government's appraisal that values the land at \$170,000. The Village and the Oxford Community Development Authority equally recorded a restricted deposit for the full amount of the appraisal. Litigation is pending regarding the fair market value of the property in question. The actual cost of the property to the Village is contingent upon the outcome of the legal action and may be in excess of the original \$170,000 appraisal. The Trial Court has ruled that the Village did not satisfy its determination of "public necessity" for free parking and ruled accordingly. However, the Trial Court did subsequently on the Village's Application and Motion enter an injunction preventing development of the private lot in any way pending the Village's appeal to the Michigan Court of Appeals. The Village expects to ultimately prevail. If the Village does not prevail, it would face attorney fees and costs under the condemnation statute against the Village of approximately \$40,000 to \$50,000.

#### General

Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

### D. Joint Venture

#### Oxford Public Fire and EMS Commission (OPFEC)

The Village is a member of the Oxford Public Fire and EMS Commission (the "Commission"), which provides fire and emergency services to the citizens of Oxford Township and the Village of Oxford, Michigan. The two member communities provide funding for its operations. During

# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

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the year ended December 31, 2003, the last available audited financial statements, the Commission reported \$668,908 in total assets and \$90,821 in total liabilities, including \$595,748 in capital assets, net of accumulated depreciation. During the year ended June 30, 2004, the Village expensed approximately \$228,566 of payments made to the Commission. Complete financial statements for the Oxford Public Fire and EMS Commission can be obtained from the administrative offices at 96 N. Washington, P.O. Box 911, Oxford, Michigan 48371.

The Township of Oxford is currently seeking to dissolve the Commission. This is a complex matter involving the Village's desire to maintain governmental integrity and control of the fire department and EMS services as well as determination of equities dating back to the 1970's and a balancing of equities between the Township of Oxford and the Village of Oxford in the jointly operated fire department presently under the Oxford Public Fire and EMS Commission, including the Village's claim to clear title in the old fire hall. The Village has engaged expert services to put together the historical picture from financial and budget records involving the longstanding relationship and complex equities involved. The expert witness fees and litigation costs will likely be substantial, but cannot be reasonably estimated at this time.

### **E. Defined Benefit Pension Plan**

#### ***Plan Description***

The Village's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Village participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan operating and administered by the MERS Retirement Board. Public Act No. 220 of the Public Acts of 1996, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

All full-time Village employees are eligible to participate in the MERS. Benefits vest after ten years of service. Village employees who retire at or after age 60 with ten years of credited service, age 55 with 15 years service or age 50 with 25 years of service, are entitled to an annual retirement benefit, payable monthly for life. This is the normal retirement benefit and is equal to 2.5% of the maximum 80% of final average compensation multiplied by the years of credited service. MERS also provides death and disability benefits. These benefits are established by state statute.

#### ***Funding Policy***

The Village is required to contribute at an actuarially determined rate; the current rate is 11.37% of annual covered payroll. Employees are currently not required to contribute to the Plan. The



# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

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contribution requirements of the Village are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the Village depending on the MERS contribution program adopted by the Village.

### *Annual Pension Cost*

For the year ended June 30, 2004, the Village's annual pension cost of \$77,321 for MERS was equal to the Village's required and actual contributions. The required contribution was determined as part of the December 31, 2001 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit.

The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect market value. The Village's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2003, the date of the latest available actuarial valuation, was 31 years.

### **Three-Year Trend Information**

Fiscal Year <u>Ending</u>	Annual Pension Cost (APC) <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
6/30/2002	\$72,664	100%	\$0
6/30/2003	72,817	100	0
6/30/2004	77,321	100	0

### **F. State Construction Code Act Compliance**

Public Act 245 of 1999 amended the State Construction Act to require Michigan municipal government's to establish fees that bear a reasonable relationship to the cost of operating their building departments. The Village's fee structure is not intended to fully recover its costs, and accordingly, the operations of the Village's building department are accounted for in the General Fund.

# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

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For the year ended June 30, 2004, the Village's revenue and expenditures related to its building department were as follows:

### Revenues

Building Permits	\$ 25,467
Electrical Permits	6,520
Heating Permits	3,230
Plumbing Permits	3,436
Other Revenue	513
	<hr/>
Total Revenues	\$ 39,166

### Expenditures

Salaries and Wages	\$ 61,305
Benefits	4,749
Operating Supplies	263
	<hr/>
Total Expenditures	\$ 66,317

## G. Restatements

As of and for the year ended June 30, 2004, the Village implemented the following Governmental Accounting Standards Board pronouncements:

### Statements

- No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*
- No. 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*
- No. 38 – *Certain Financial Statement Note Disclosures*

### Interpretation

- No. 6 – Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements

The above pronouncements are all related to the new financial reporting requirements for all state and local governments.

# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

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The more significant of the changes required by the new standards include:

- Management's discussion and analysis;
- Basic financial statements that include:
  - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
  - Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds;
  - Schedules to reconcile the fund financial statements to the government-wide financial statements;
  - Notes to the basic financial statements;
- Required supplementary information.

As a result of implementing these pronouncements for the fiscal year ended June 30, 2004, the following restatements were made to beginning fund balance and net asset accounts:

*Government-wide financial statements.* Beginning net assets for governmental activities was determined as follows:

Fund balances of general, special revenue, debt service and capital project as of 6/30/03	\$ 1,114,314
Add: prior period adjustment for change in definition of availability from 60 days to 90 days	50,830
Beginning fund balance – as restated	1,165,144
Add: governmental capital assets, including general fixed assets and infrastructure as of 6/30/03	9,465,860
Deduct: accumulated depreciation as of 6/30/03 on above governmental capital assets	(4,738,206)
Add: governmental internal service funds net assets as of 6/30/03	401,711
Add: deferred revenue on taxes receivable and special assessments as of 6/30/03	132,085
Deduct: general obligation bonds and notes payable as of 6/30/03	(450,000)
Deduct: accrued interest payable as of 6/30/03	(6,306)
Deduct: governmental compensated absences payable as of 6/30/03	(42,492)
Deduct: prior period adjustment to compensated absences Payable	(36,880)
<b>Governmental net assets, restated, as of 7/1/03</b>	<b>\$ 5,890,916</b>

# VILLAGE OF OXFORD, MICHIGAN

## Notes To Financial Statements

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The beginning net assets of the enterprise funds were derived by aggregating the previously reported retained earnings and contributed capital of those funds and adjusted for internal service fund activities as follows:

Retained earnings and contributed capital as of 6/30/03	\$ 4,885,078
Add: amounts due from governmental activities related to internal service funds as of 6/30/03	<u>189,503</u>
<b>Business-type activity net assets, restated, as of 7/1/03</b>	<u><u>\$ 5,074,581</u></u>

Beginning net assets for the component unit (Oxford Community Development Authority) was determined as follows:

Fund balance of general fund as of 6/30/03	\$ 463,451
Add: capital assets	849,980
Deduct: accumulated depreciation as of 6/30/03 on above governmental capital assets	(39,961)
Add: deferred revenue on taxes receivable as of 6/30/03	<u>7,162</u>
<b>Component unit net assets, restated, as of 7/1/03</b>	<u><u>\$ 1,280,632</u></u>

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***REQUIRED SUPPLEMENTARY  
INFORMATION***

# VILLAGE OF OXFORD, MICHIGAN

## Required Supplementary Information (Unaudited)

### Defined Benefit Pension Plan

#### Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Attained Age# (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio % (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a) / c)
12/31/00	\$ 1,041,306	\$ 1,350,075	\$ 308,769	77%	\$ 516,357	60%
12/31/01	1,144,348	1,529,706	385,358	75%	587,803	66%
12/31/02	1,205,872	1,604,630	398,758	75%	649,166	61%
12/31/03	1,331,981	1,895,927	563,946	70%	748,047	75%

***COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES***

**VILLAGE OF OXFORD, MICHIGAN**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2004**

	<u>Special Revenue</u>				<u>Debt Service</u>		<u>Total</u>
	<u>Major Street</u>	<u>Local Street</u>	<u>Municipal Street</u>	<u>Building Authority</u>	<u>Municipal Debt Service</u>	<u>Parking District #4 Debt Service</u>	
<b>Assets</b>							
Cash and cash equivalents	\$ 46,536	\$ 14,099	\$ 306,909	\$ 636	\$ -	\$ 75,412	\$ 443,592
Receivables:							
Special assessments	-	-	-	-	-	73,210	73,210
Due from other governments	30,017	9,945	-	-	-	-	39,962
Prepaid items	1,601	-	-	-	-	13,593	15,194
 Total assets	<u>\$ 78,154</u>	<u>\$ 24,044</u>	<u>\$ 306,909</u>	<u>\$ 636</u>	<u>\$ -</u>	<u>\$ 162,215</u>	<u>\$ 571,958</u>
 <b>Liabilities</b>							
Accounts payable	\$ 602	\$ -	\$ -	\$ -	\$ -	\$ 250	\$ 852
Deferred revenue	-	-	-	-	-	73,210	73,210
Total liabilities	<u>602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,460</u>	<u>74,062</u>
 <b>Fund balances:</b>							
Reserved for:							
Debt service	-	-	-	-	-	75,162	75,162
Prepaid items	1,601	-	-	-	-	13,593	15,194
Unreserved, designated	-	-	34,763	-	-	-	34,763
Unreserved, undesignated	75,951	24,044	272,146	636	-	-	372,777
Total fund balances	<u>77,552</u>	<u>24,044</u>	<u>306,909</u>	<u>636</u>	<u>-</u>	<u>88,755</u>	<u>497,896</u>
 Total liabilities and fund balance	<u>\$ 78,154</u>	<u>\$ 24,044</u>	<u>\$ 306,909</u>	<u>\$ 636</u>	<u>\$ -</u>	<u>\$ 162,215</u>	<u>\$ 571,958</u>



**VILLAGE OF OXFORD, MICHIGAN**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2004**

	Special Revenue				Debt Service		Total
	Major Street	Local Street	Municipal Street	Building Authority	Municipal Building Debt Service	Parking District #4 Debt Service	
<b>Revenues</b>							
Taxes and special assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,692	\$ 40,692
Intergovernmental							
State	175,862	58,207	-	-	-	-	234,069
Investment earnings	206	307	2,262	8	-	12,201	14,984
Other	800	3,000	12,416	-	-	-	16,216
Total revenues	<u>176,868</u>	<u>61,514</u>	<u>14,678</u>	<u>8</u>	<u>-</u>	<u>52,893</u>	<u>305,961</u>
<b>Expenditures</b>							
Highways and street	132,208	62,546	901	-	-	-	195,655
Capital Outlay	23,985	63,460	-	-	-	-	87,445
Debt service:							
Principal	-	-	-	-	25,000	10,000	35,000
Interest and fiscal charges	-	-	-	-	18,645	8,247	26,892
Total expenditures	<u>156,193</u>	<u>126,006</u>	<u>901</u>	<u>-</u>	<u>43,645</u>	<u>18,247</u>	<u>344,992</u>
Revenues over (under) expenditures	<u>20,675</u>	<u>(64,492)</u>	<u>13,777</u>	<u>8</u>	<u>(43,645)</u>	<u>34,646</u>	<u>(39,031)</u>
<b>Other financing sources (uses)</b>							
Transfers in	50,000	-	105,260	43,645	43,645	-	242,550
Transfers out	-	-	(50,000)	(43,645)	-	-	(93,645)
Total other financing sources (uses)	<u>50,000</u>	<u>-</u>	<u>55,260</u>	<u>-</u>	<u>43,645</u>	<u>-</u>	<u>148,905</u>
Net change in fund balances	70,675	(64,492)	69,037	8	-	34,646	109,874
Fund balances, beginning of year	6,877	88,536	237,872	628	-	54,109	388,022
<b>Fund balances, end of year</b>	<u>\$ 77,552</u>	<u>\$ 24,044</u>	<u>\$ 306,909</u>	<u>\$ 636</u>	<u>\$ -</u>	<u>\$ 88,755</u>	<u>\$ 497,896</u>

**VILLAGE OF OXFORD, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Major Streets**  
**For the Year Ended June 30, 2004**

	<b>Budgeted Amounts</b>			<b>Actual Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Intergovernmental	\$ 173,956	\$ 173,956	\$ 175,862	\$ 1,906
Investment earnings	1,000	450	206	(244)
Other	5,401	799	800	1
Total revenues	180,357	175,205	176,868	1,663
<b>Expenditures</b>				
Construction	159,087	23,524	23,985	461
Routine maintenance	99,998	103,507	91,666	(11,841)
Winter maintenance	24,221	16,296	16,294	(2)
Traffic service	16,372	13,874	11,045	(2,829)
Administration	8,752	8,552	7,713	(839)
Other	5,500	59,452	5,490	(53,962)
Total expenditures	313,930	225,205	156,193	(69,012)
Revenues over (under) expenditures	(133,573)	(50,000)	20,675	70,675
<b>Other financing sources (uses)</b>				
Operating transfers in	133,573	50,000	50,000	-
Net change in fund balances	-	-	70,675	70,675
Fund balance, beginning of year	6,877	6,877	6,877	-
<b>Fund balance, end of year</b>	<b>\$ 6,877</b>	<b>\$ 6,877</b>	<b>\$ 77,552</b>	<b>\$ 70,675</b>

**VILLAGE OF OXFORD, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Local Streets**  
**For the Year Ended June 30, 2004**

	<b>Budgeted Amounts</b>			<b>Actual Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Intergovernmental:				
State	\$ 57,000	\$ 57,000	\$ 58,207	\$ 1,207
Investment earnings	700	700	307	(393)
Other	-	3,000	3,000	-
Total revenues	57,700	60,700	61,514	814
<b>Expenditures</b>				
Construction	-	63,465	63,460	(5)
Routine maintenance	31,427	34,473	34,898	425
Winter maintenance	25,421	18,916	18,622	(294)
Traffic service	4,080	5,702	3,844	(1,858)
Administration	2,567	2,567	2,857	290
Other	-	18,743	2,325	(16,418)
Total expenditures	63,495	143,866	126,006	(17,860)
Net change in fund balances	(5,795)	(83,166)	(64,492)	18,674
Fund balance, beginning of year	88,536	88,536	88,536	-
<b>Fund balance, end of year</b>	<b>\$ 82,741</b>	<b>\$ 5,370</b>	<b>\$ 24,044</b>	<b>\$ 18,674</b>

**VILLAGE OF OXFORD, MICHIGAN**  
**Statement of Net Assets/Governmental Fund Balance Sheet**  
**Oxford Community Development Authority**  
**June 30, 2004**

	<b>Special Revenue Fund</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 526,876	\$ -	\$ 526,876
Taxes receivable	10,381	-	10,381
Allowance for taxes receivable	(4,462)	-	(4,462)
Restricted asset-deposit on land acquisition	85,000	-	85,000
Capital assets	-	808,411	808,411
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 617,795</u>	<u>\$ 808,411</u>	<u>\$ 1,426,206</u>
<b>Liabilities:</b>			
Accounts payable	\$ 2,629	\$ -	\$ 2,629
Deferred revenue	5,919	(5,919)	-
Due to primary government	31	-	31
Total Liabilities	<u>8,579</u>	<u>(5,919)</u>	<u>2,660</u>
<b>Fund Balance:</b>			
Reserved	85,000	(85,000)	-
Unreserved:			
Undesignated	524,216	(524,216)	-
Total fund balance	<u>609,216</u>	<u>(609,216)</u>	<u>-</u>
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balance	<u>\$ 617,795</u>		
<b>Net assets</b>			
Invested in capital assets		808,411	808,411
Restricted		85,000	85,000
Unrestricted		(79,081)	530,135
		<u>          </u>	<u>          </u>
Total net assets		<u>\$ 814,330</u>	<u>\$ 1,423,546</u>

**VILLAGE OF OXFORD, MICHIGAN**  
**Reconciliation of Fund Balance on the Balance Sheet**  
**for Component Unit to Net Assets of**  
**Component Unit Activities on the Statement of Net Assets**  
**June 30, 2004**

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Fund balance - component unit	\$ 609,216
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: capital assets	849,981
Deduct: accumulated depreciation	(41,570)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund

Add: deferred special assessments	<u>5,919</u>
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Net assets of governmental activities	<u><u>\$ 1,423,546</u></u>
---------------------------------------	----------------------------

**VILLAGE OF OXFORD, MICHIGAN****Statement of Revenues, Expenditures****and Changes in Fund Balance****Component Unit****For the Year Ended June 30, 2004**

	<b>Oxford Community Development Authority</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b>Revenues</b>			
Taxes	\$ 293,431	\$ (1,243)	\$ 292,188
Interest	3,767	-	3,767
Miscellaneous	23,163	-	23,163
Total revenues	320,361	(1,243)	319,118
<b>Expenditures/expenses</b>			
Community service	174,596	-	174,596
Depreciation expense	-	1,608	1,608
Total expenditures	174,596	1,608	176,204
Net change in fund balances	145,765	(145,765)	-
Change in net assets	-	142,914	142,914
Fund balances/net assets, beginning of year, as restated	463,451	817,181	1,280,632
<b>Fund balances/net assets, end of year</b>	<b>\$ 609,216</b>	<b>\$ 814,330</b>	<b>\$ 1,423,546</b>

**VILLAGE OF OXFORD, MICHIGAN**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balance of Component Unit**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2004**

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Net change in fund balances - component unit	\$ 145,765
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Amounts reported for *governmental activities* in the statement of activities are different

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Deduct: depreciation expense	(1,608)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Add: current year deferred revenue on delinquent personal property tax	<u>(1,243)</u>
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Change in net assets of governmental activities	<u><u>\$ 142,914</u></u>
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**REHMANN ROBSON**

*Certified Public Accountants*

*A member of THE REHMANN GROUP*

*An Independent Member of Baker Tilly International*

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

August 20, 2004

To the Village Council  
Village of Oxford  
Oakland County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of ***Village of Oxford, Michigan***, as of and for the year ended June 30, 2004, which collectively comprise the ***Village of Oxford, Michigan's*** basic financial statements and have issued our report thereon dated August 20, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether ***Village of Oxford, Michigan's*** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered ***Village of Oxford, Michigan's*** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.



A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of ***Village of Oxford, Michigan***, in a separate letter dated August 20, 2004.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.



**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

August 20, 2004

To The Village Council  
Village of Oxford, Michigan

In planning and performing our audit of the financial statements of the ***Village of Oxford, Michigan***, for the year ended June 30, 2004, we considered the Village's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions concerning those matters. This letter does not affect our report dated August 20, 2004, on the financial statements of the *Village of Oxford, Michigan*.

The accompanying comments and recommendations are intended solely for the information and use of the audit committee, management, and others within the organization and should not be used by anyone other than these specified parties.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Village personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist the Village in implementing the recommendations.

We would like to thank the staff and management of the ***Village of Oxford, Michigan*** for their assistance and cooperation in completing the audit.

**A.) RECEIPTING SYSTEM**

During our audit procedures we noted that the Village did not employ a receipting system when collecting payments from customers at the front counter. Using a receipting system for over the counter payments enhances internal control over cash receipts, which are susceptible to misappropriation due to the nature of the transaction.

We would recommend that the Village consider implementing a cash receipting system for over the counter receipts. Cash receipting systems are typically in the form of a cash register or extensions of the accounting system in which a receipt number is automatically assigned to the transaction and a receipt is generated for the customer at the time of the transaction.

By establishing a cash receipting system for over the counter transactions, the Village will enhance its internal controls over cash receipts, align its conformity with State of Michigan accounting guidelines and provide a more transparent audit trail.

**B.) DAILY COLLECTIONS**

While performing our audit, we noted that daily collections were being maintained over night in a locked desk at the Village offices. We believe that this practice increases the risk of loss due to fire, theft or other circumstances involving a lower level of security.

We would recommend that the Village consider depositing the daily collections at the end of each business day using the night depository at the local bank. If the Village considers this impractical then we would recommend employing the use of a fire proof safe to store the daily collections until they can be deposited.

By enhancing the security of the daily collections, the Village will reduce its risk of loss due to the factors mentioned above.